

Teachers Mutual Bank Limited

ABN 30 087 650 459
AFSL/Australian Credit Licence No. 238981

Modern Slavery Statement 2020

This statement has been published in accordance with the Modern Slavery Act 2018 (“Act”). It sets out the steps taken by Teachers Mutual Bank Limited, and the entities it owns and controls, during the financial year ending 30 June 2020 to prevent slavery, servitude, forced and compulsory labour and human trafficking in its business and supply chain.

This statement should be considered to constitute the modern slavery statement for Teachers Mutual Bank Limited and its wholly owned or controlled entities for the purposes of the Act.

March 2021

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Introduction

A socially responsible and service culture has been integral to Teachers Mutual Bank Limited's operations since our founding in 1966. Conducting our business ethically and sustainably have driven our model of mutual banking for 55 years. We are committed to respecting all human rights as outlined in the Universal Declaration of Human Rights and stand opposed to slavery, servitude, forced and compulsory labour and human trafficking (**modern slavery practices**). This commitment is at the heart of our business. Operating ethically and profitably are two sides of the same coin, and that has been our currency since birth. Under our Constitution, one of our objects is to promote, encourage and bring about human and social development among individual members and within the larger community within which members work or reside.

As a trusted financial services provider, and significant employer, we recognise that we have a role to play in the global goal to eradicate modern slavery practices, and we expect our people and partners within our value chain to share our commitment to identifying and addressing risks and instances, if identified, of modern slavery within our operations and supply chain.

As an entity based and operating in Australia with an annual revenue exceeding \$100M, we are pleased to present our inaugural Modern Slavery Statement prepared in accordance with the mandatory reporting criteria set out in the Commonwealth Modern Slavery Act 2018. This Statement outlines the actions we have taken in FY20 to address the risk of modern slavery across our business activities.

About Us

Teachers Mutual Bank Limited is one of Australia's largest mutual banks supporting four divisions under our umbrella: Teachers Mutual Bank, UniBank, Firefighters Mutual Bank and Health Professionals Bank. Teachers Mutual Bank Limited is the ultimate parent company and its controlled entities are Q.T Travel Pty Ltd (ABN 63 010 167 503), Tertiary Travel Service Pty Ltd trading as Tertiary Travel (ABN 28 008 900 981) and Edsec Funding Trust No 1. We conduct business throughout Australia, with our headquarters located in Homebush, NSW, and 8 other offices across the country. We directly employ over 600 people.

We are a member of the Global Alliance for Banking on Values (GABV), a global network of banking organisations deeply committed to creating positive change in society as a whole. As a values-based business, we are a signatory to the GABV Kathmandu Pledge. Using ethical, sustainable and socially responsible practices is something our members have come to expect and appreciate.

Being responsible and ethical are part of our core promise to members and society. In 2020, for the seventh year running, Teachers Mutual Bank Limited was named one of the World's Most Ethical Companies by the Ethisphere Institute. This recognition honours superior achievements in transparency, integrity, ethics and compliance and underscores an honouree's commitment to leading with integrity and prioritising ethical business practices.

Our Members & Products

We have a different structure to other banking organisations. As a mutual bank, we are owned by and run for the benefit of our members. As our members own the organisation, there is no trade-off between shareholders and customers. Every member has one equal vote and one share in the business.

We primarily serve the Australian essential worker sector by providing banking and financial products and services to those individuals (and their family members) from across the teaching, tertiary education, firefighting / emergency and healthcare sectors. Today, we service over 210,000 members nationally. We are grounded in our communities and serve the real economy by primarily using member deposits to lend to other members.

Our members are Australian citizens or permanent residents of Australia. We focus on personal banking. We do not have any operations in foreign jurisdictions.

We are the only bank in Australia to have all wholesale and retail mortgage and deposit products independently certified by the Responsible Investment Association Australasia (RIAA). Third-party verification means our credentials can be trusted. Every deposit account we open and every mortgage we sell is a Certified Responsible Investment; these two product types are around 97% of the retail products we sell. Our business strives to give consumers the opportunity to shop ethically for banking products. In 2020 we took the further step of certifying all wholesale short term deposits with the RIAA. This means any wholesale investor with us has a guarantee that their investment is responsible.

Our main products are basic deposit products (such as savings accounts, transaction accounts), non-cash payment products (such as cards) and loan products (such as home loans, personal loans and credit cards). We also provide telegraphic transfer and foreign exchange services to our members. In addition to our main products, we arrange for an independent company, Members Automotive Services Pty Ltd trading as Teachers Car Buying Service, to provide car buying services to members of Teachers Mutual Bank in NSW and ACT. We also arrange for the issuance of general insurance products, such as home and contents, car and caravan, as agent for Allianz Australia Insurance Limited; and life insurance products as agent for Zurich Australia Limited. Our subsidiaries, Tertiary Travel Service Pty Ltd and QT Travel Pty Ltd provide travel related services to members. Edsec Funding Trust No.1 is a funding vehicle to obtain liquid funds from the Reserve Bank of Australia.

Our Supply Chain

We have a diverse supplier base comprising over 700 suppliers, with 98.7% of our suppliers based in Australia. Fostering strong relationships built on mutual respect is key to our procurement strategy, and as such, we seek to ensure that we build long-term strategic relationships with our suppliers.

Our major suppliers provide us with goods and services in the following sectors:

- Customer engagement which includes marketing and digital services, services supporting our products, digital channels, contact centres and car buying services.
- Office services which include logistics, services supporting our property footprint, security, travel and entertainment, tools of trade and office supplies, training, recruitment and contingent workforce services and professional services.
- IT, payment processing, and telecommunications which include computer hardware and software, mobile and terrestrial telephone and data services.

Governance

Our governance structure

We believe that being ethical is about the whole bank. It is embedded in who we are and what we do and why we do it. We aim to lead the financial sector in ethical standards and practices. Our Board has ultimate oversight over our actions to address the risk of modern slavery practices within our business and our partnerships with suppliers. The Board approves and fosters an appropriate corporate culture consistent with our values. The Board Risk Committee, a subcommittee of the Board, monitors and reports on our progress in tackling modern slavery practices in our operations. Day-to-day responsibility and execution of actions, such as engaging with new suppliers and ensuring adherence to our policies and procedures, is led by our management team.

Our policies

Conducting business ethically and responsibly is fundamental to how we operate. Our behaviour is underpinned by our values, which includes our commitment to ethical business. Our commitment to human rights is set out in the following policies, which are approved by our Board and apply to all the entities we own and control:

- Code of Conduct, which includes our commitment to treat others with respect, dignity and fairness, and ensuring a safe and healthy work environment for all employees, contractors, visitors, members and customers.
- Human Resources Policy, which governs employment and personnel matters, including our commitment to ensuring appropriate remuneration and benefits for employees and contractors, and providing a workplace free of discrimination and harassment.
- Corporate Social Responsibility Policy which establishes our approach to ethical business and social responsibility practice and how we deliver on our responsibilities and commitment. It includes our commitment to respecting human rights, and specifically the rights of our employees, our members, and our communities.

Risk Assessment and Due Diligence

Pioneering ethical investment

We understand the influence our business has on the economy and communities in which we operate, so we are responsible in the way we invest and lend. We believe in the power of responsible investment. When members join us, they do not need to choose between building personal wealth or building a wealthier future for the community and the planet. With us, it is possible to do both.

We are the:

- First and only Australian financial institution to have its entire wholesale debt issuance program of \$1 billion certified by the RIAA.
- First and only Certified Responsible investment wholesale cash product in Australia.
- First and only wholesale cash product based on fossil fuel exclusion.
- First and only bank to certify its wholesale sector funding.

Risks and due diligence in our lending operations

We make sure environmental, social and governance issues are embedded in our lending and investment practices, and written in our Treasury Credit Risk and Lending Risk Policy, including those that have a higher risk of exposure to modern slavery practices. We do not lend to, or invest in, sectors where the primary purpose of the entity or business is alcohol, armaments, correctional facilities, cryptocurrency, deforestation or gross environmental degradation, fossil fuels, gambling, military activities, political activities, pornography, slavery, tobacco or uranium. We also do not use member's deposits to directly lend to, buy equity or debt in, any large-scale greenhouse polluting activities from fossil fuel exploration, extraction, production and use.

Tackling financial crime

As a financial institution, we have a fundamental responsibility to help protect the integrity of Australia's financial system. Modern slavery practices are crimes and the perpetrators are likely to seek to launder the proceeds through the financial system to legitimise them. We leverage intelligence, analytics, investigations and partnerships with other financial institutions and regulators to identify, mitigate and deter financial crime. We have processes that analyse the types of activities that are likely to be indicative of modern slavery practices.

We are aware that child sexual exploitation (CSE) is among the worst forms of modern slavery and that this activity can involve victims and perpetrators in any jurisdiction including Australia. Payment for this activity takes a variety of forms. We have engaged with partner agencies to discuss current typologies thus enabling us to better profile and detect payments that may relate to CSE, and have implemented client transaction monitoring practices targeted specifically at this behaviour. We adhere strictly to our

reporting obligations under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* in order to enable law enforcement to take any action it deems necessary.

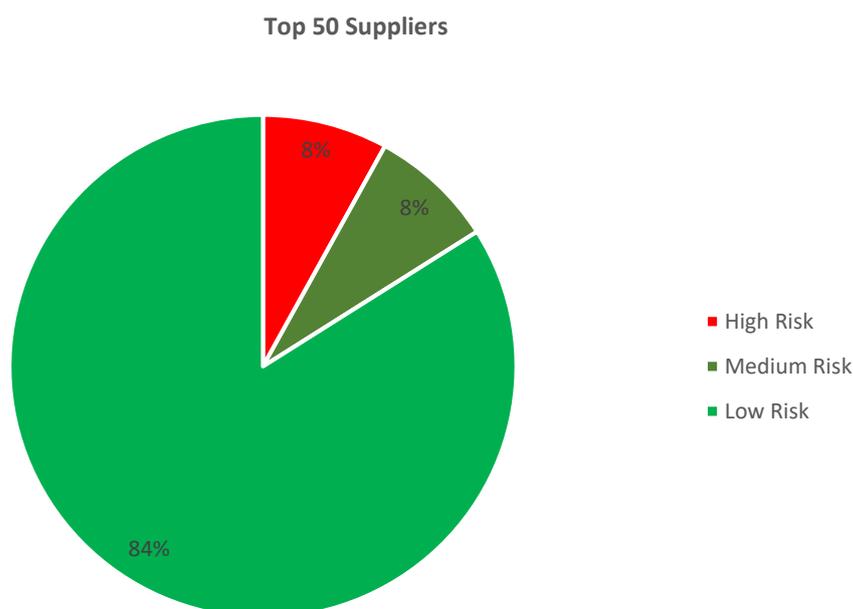
Risks in our supply chain

We have over 700 suppliers ranging from very large, established corporates critical to our business operations, to those that provide us with low value, infrequent products and services. Based on externally available sources, including the Global Slavery Index, we have been able to establish the following categories as those within our supply chain that carry a higher risk of modern slavery practices:

- IT and electronic equipment where such goods may have been manufactured by another entity using minerals sourced or mined using forced labour.
- Cleaning of premises where personnel actually performing the service may be subject to debt bondage.
- Office consumables where the manufacture of office products such as paper may involve forced labour.
- Supply of low cost merchandise which may occur in jurisdictions at high risk of modern slavery practices.

In relation to the travel related services we provide, we are also aware of the association of international tourism and modern slavery practices specifically in orphanage and sex tourism and their supply chains. Tertiary Travel Service Pty Ltd and Q.T Travel Service Pty Ltd ceased all operations on 31 March 2021.

In 2019 we engaged a specialist consulting firm who conducted an initial modern slavery risk assessment of our supply chain using a proprietary algorithm, overlaid by specialist and industry knowledge. The assessment covered the top 400 suppliers within the first tier of our supply chain, representing 97.6% of our annual supplier spend. Suppliers were segmented into high, medium and low risk categories, representative of the inherent risk, or potential for modern slavery within the suppliers own business or its extended supply chain. The results for our top 50 suppliers can be seen in the graph below. These results have enabled us to prioritise suppliers for further due diligence. We continue to refine and evolve our risk assessment process.



Due diligence in our supply chain

New and Existing Supplier Screening

We are aware of the risk of encountering modern slavery practices in our operations lies where we do not have direct management control and supervision. This may include contractors or suppliers who provide staff (for example, in cleaning, security or catering).

We have a Vendor Governance Framework (VGF) in place. The VGF establishes our process to identify, assess, manage, mitigate and report material corporate social responsibility (CSR) risks in our supply chain. All material, strategic and major suppliers are contractually required to complete a comprehensive CSR survey initially and then every two years to assist us in assessing supplier CSR risk. Processes such as screening, risk assessment and supplier due diligence both during on-boarding and ongoing are being reviewed and strengthened to ensure they remain as effective as possible in mitigating the risk of modern slavery practices in our supply chain.

In 2020, we implemented a new screening technology, which screens entities against a global proprietary database of adverse media information. All existing suppliers are screened daily, ensuring that when/if new adverse information becomes available through the database we are made aware of that fact. In the event that a supplier is associated with an adverse media article, an alert is generated and further due diligence undertaken to assess impacts and appropriate mitigation actions are undertaken. In 2020, we screened all existing suppliers and there have been no reportable concerns. We have undertaken an extensive review of the VGF, and will require all suppliers to be screened prior to on-boarding.

Addressing High and Medium Risk Suppliers

Where a supplier is identified as high or medium risk (due to their industry and geographic location), we undertake a due diligence process to understand how and if modern slavery risks are being managed by the supplier, which includes any/all of the following actions:

- Gathering and assessing publicly available information where available, including the suppliers policies and procedures
- If required, contacting suppliers directly to verify (where information is publicly available) or to request information on their approach to addressing modern slavery within their operations or supply chain.
- Inserting a modern slavery clause, where deemed necessary, into supplier contracts.

In the case of cleaning contractors we engage, we take steps to ensure that work is only undertaken by the contracted entity and is not further outsourced. This includes ensuring that the contracted entity has undertaken an occupational health and safety prequalification and has appropriate insurance, and that all staff engaged are employed directly (not through subcontractors, unless specialised services are required and we are made aware of this) and have appropriate rights to work within Australia. Where deemed necessary, we will also request proof of wage payments.

Grievances

Concerns and instances in which modern slavery practices are occurring or is suspected, breaches in labour or human rights or non-compliance with our policies including our Corporate Social Responsibility Policy or Code of Conduct can be raised through our complaints and dispute resolution process. Concerns may be raised through a variety of channels, including phone, email and in writing, with all mechanisms outlined in our publicly available Complaints and Dispute Resolution Process, and Whistleblower Policy. Reporters have the option of remaining anonymous.

Our Whistleblower Policy has been developed to protect those reporting and ensure that concerns can be raised without individuals being subject to victimisation, harassment or discrimination. We are

committed to ensuring that concerns are assessed in a timely manner, and addressed fairly and confidentially, in line with our policy.

Training

In 2020 we developed an online modern slavery training module as part of our work to build internal awareness and capability. The training has been rolled out to all levels of managerial staff including executive leadership, as well as to our Board. Completion of the training is mandatory for all staff and contractors. This training provides education on the various forms of modern slavery, the cost and impact on individuals, businesses and the wider community, business activities and industries where modern slavery practices are prevalent and provides practical examples on addressing modern slavery risks. The training also provides information on our obligations under the Act. Monitoring and reporting processes are in place to ensure timely completion of our training.

Assessing and reporting on effectiveness

We assess the effectiveness of the actions we have taken to address the risks of modern slavery in quantitative terms. We monitor the following metrics relating to modern slavery and will further enhance and add new measures as our program evolves. We have established a process to periodically review the effectiveness of the measures we have put in place through the following key metrics:

- The rate of on-time completion of our modern slavery training program delivered to and completed by our people.
- The number of high risk category suppliers identified through our risk assessment process.
- The number of reviews we have undertaken on suppliers in relation to anti-modern slavery compliance.
- The number of findings from independent audits we have been subject to, in relation to our compliance with our anti-modern slavery measures.

Continuing Diligence

The following actions have been prioritised for FY21:

Our Approach

- Undertake an industry and best practice modern slavery benchmarking assessment, to identify gaps and opportunities to improve performance.
- Continue to evolve our approach to addressing modern slavery and human rights through the development of a framework and implementation roadmap, using the inputs of the benchmarking assessment to inform future actions. This will also include a review of our key performance indicators.

Governance

- Evolve our governance framework by ensuring accountabilities and responsibilities for modern slavery risk and actions are clearly assigned and understood within the organisation, including at Board, Executive Leadership Team and Board Committee levels.
- Establish a working group to continue the development of our organisational capability in the management of risks of modern slavery practices.
- Ensure adequate resources are assigned to modern slavery risk management and operations.

Policies

- Develop a Supplier Code of Conduct, outlining our expectations of suppliers in regards to corporate social responsibility, human rights and eradication of modern slavery practices considerations.
- Ensure existing policies, including Code of Conduct, Human Resources Policy and Corporate Social Responsibility Policy appropriately reference our position on human rights consistent with the Universal Declaration of Human Rights. Ensure that, where possible, these policies apply to all employees and upstream and downstream business partners, including contractors, suppliers, clients and investee companies.

Risk Assessment and Due Diligence

- Finalise, publish and implement the revised Vendor Governance Framework.
- Review and refine our risk assessment methodology in line with industry practice to ensure we remain informed in relation to the risk posed by its suppliers and clients.
- Review existing controls to ensure adequacy in assessing all business activities (operations, lending and supply chain) for modern slavery risks, focusing on activities where we may directly cause or contribute to modern slavery practices. Revise and update where required.

Training, Reporting and Managing Grievances

- Ensure the existing grievance mechanisms are communicated to business partners as a way of reporting instances or suspicions of modern slavery or human rights abuses. Ensure that these mechanisms are available in multiple languages.
- Develop a remediation methodology outlining the process for addressing verified incidences of modern slavery, ensuring that the approach puts victims first. Work with our training partner to procure a revised training module specifically targeted at modern slavery risk management in the financial services industry.
- Undertake a training needs analysis to understand requirements for general and specialised training for particular departments. Develop an overall training approach.

Collaboration

- Identify opportunities to collaborate with peers and business partners through formal and informal multi-stakeholder initiatives, and industry bodies.

Consulting with entities that we own and control

Tertiary Travel Service Pty Ltd and Q.T Travel Service Pty Ltd ceased all operations on 31 March 2021. Any suppliers contracted to Teachers Mutual Bank Limited will continue to be assessed and managed as normal. All other suppliers will cease to have a relationship with Teachers Mutual Bank Limited. The Edsec Trust No1 is a wholly owned securitisation vehicle and has no dedicated staff or suppliers.

The measures we have put in place to mitigate modern slavery practices in our business and supply chains will continue to evolve over time. We will continue to report on the progress we have made and review the effectiveness of the measures we have put in place.

This statement has been approved by our Board of Directors.

Maree O'Halloran



Chairperson of the Board of Directors

Dated 30 March 2021